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The Providence office market: Jewelry District expected to experience most development

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There seems to be some light at the end of the tunnel regarding the Providence office market. Vacancies had increased in 2008 - 2010, significantly dropping rental rates. We have seen an increase in incentives such as free rent, moving allowances and higher tenant improvement allowances. That trend has started to change at the end of 2010 and as we head into 2011. Several tenants have signed leases at One Empire Plaza, 40 Westminster St., 10 Dorrance St., The Gateway Building, The GTECH Building and 100 Westminster St.

According to the 2010 Hayes & Sherry Providence Office Market Survey, vacancy rates have decreased in the Class A market from 17.85% in 2009 to 14.65% in 2010. The Class B market had a minimal decrease from 24.73% in 2009 to 23.41% in 2010, but is still moving in a positive direction. Overall, the entire office market in downtown Providence of 6,469,401 s/f has seen vacancy rates drop from 21.45% in 2009 to 19.20% in 2010.

However, those figures do not include the most recent activity in the market. In 2011 we expect to see vacancy rates drop significantly. Our institutions such as Brown University, Johnson & Wales University, Lifespan, Rhode Island School of Design, Women & Infants Hospital and the University of Rhode Island have all indicated a need for some expansion in the near future. Although we have some obstacles to overcome regarding the State and City budgets, we remain optimistic about the Providence office market in 2011.

Another reason for optimism is the investment taking place in the DownCity District. Several buildings have been renovated for housing and retail. More parking is available to residents and generally the area is significantly more inviting than it has been in years.

Finally, the Providence Jewelry District, also known as the "Providence Knowledge District" has the potential to attract significant development in the next several years. The "old" Rte. 195 is currently being dismantled, exposing 25 new acres of developable land in Providence. Brown University has expanded in and around the Knowledge District, purchasing several properties, and is currently under construction/renovation of its new medical school at 222 Richmond St. We anticipate some of our other institutions to follow. This area is expected to have the most significant development over the next several years.

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